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Abbotsford, BC
in Profile

Economic Tools
for Reducing
Greenhouse Gas
Emissions

Big Cities: Canada's
New Shared
Experience

CanadaWest
FOUNDATION

Our Vision
A dynamic and prosperous
West in a strong Canada.

Our Mission
A leading source of strategic
insight, conducting and
communicating non-partisan
economic and public policy
research of importance to
the four western provinces
and all Canadians.

CURRENTS

Western Canada's Monthly Economic Bulletin

February 2008

West Foundation publication

Monthly Highlights

Alberta and Saskatchewan yet again posted the strongest gains in average weekly earnings in the country, with Manitoba not far behind. However, because both Alberta and Saskatchewan have relatively high rates of inflation, real gains in average weekly earnings are muted.

While consumers in Alberta and Saskatchewan continued to face higher rates of inflation than elsewhere in Canada, the rate of increase in consumer prices in these two provinces slowed in December. The rise in the cost of housing (as measured by the cost of maintaining a housing structure) has been a key

driver of inflation in Saskatchewan. Although the increase in the cost of housing have slowed, the 12-month increase was still more than 40%.

Based on figures from January to December of 2007, the number of housing starts in Saskatchewan is up 61.2% over the same period in 2006. In contrast, Alberta recorded a slight drop. Although the increase in Manitoba was not as dramatic as its neighbour to the west, the province nonetheless posted a healthy gain of 13.3%.

Compared to 2006, retail sales from January to November are up 12.1% in Saskatchewan, 9.2% in Alberta, 8.9% in

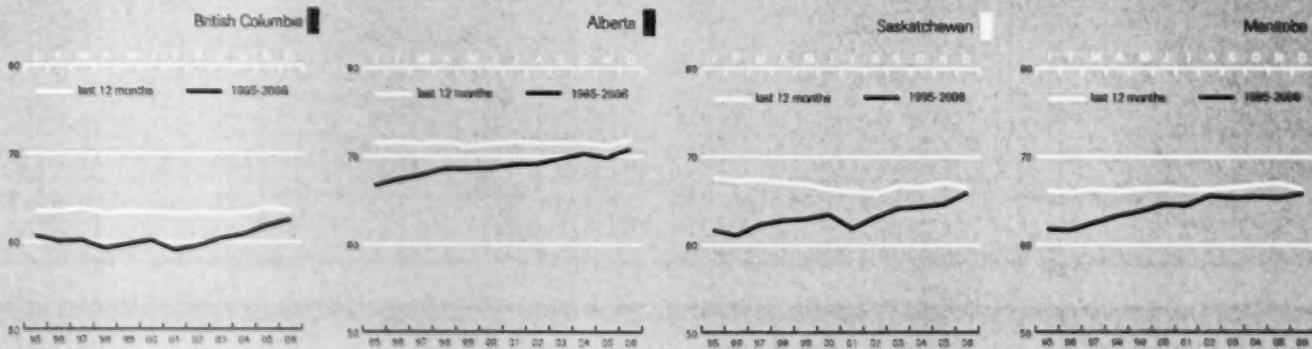
Manitoba, and 7.1% in BC. In the rest of Canada, the increase is considerably lower at 4.3%. Looking at monthly sales for November, there were gains in areas that traditionally see increases in the Christmas shopping season, including electronics, home furnishing, and clothing retailers.

In November, manufacturing sales showed strength in Alberta, Saskatchewan and Manitoba. Petroleum and coal product manufacturers posted the largest increase in sales. Indeed, higher prices for petroleum and coal played a significant role in pushing up the total value of manufacturing sales.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
Employment (SA, 000s)	2,305.2	1,999.9	505.7	802.3	17,058.9	January
% change, yoy	2.4	3.5	0.1	2.0	2.0	
Unemployment rate (SA, %)	4.1	3.2	3.9	3.8	5.8	January
Participation rate (SA, %)	66.6	74.5	69.2	69.2	67.7	January
Average weekly earnings (SA, \$)	768.57	854.28	740.66	721.56	784.83	November
% change, Jan-Nov 2007 average, yoy	2.8	4.7	4.4	4.2	3.2	
CPI inflation, annual (%)	1.2	4.1	3.7	2.0	2.4	December
Building permits, residential (SA, \$ millions)	735.4	628.3	96.4	70.1	3,894.8	December
% change, Jan-Dec 2007, yoy	12.8	10.8	76.1	15.2	10.8	
Building permits, non-residential (SA, \$ millions)	349.6	474.5	120.1	27.0	2,161.1	December
% change, Jan-Dec 2007, yoy	0.7	15.0	179	8.6	14.2	
Housing starts (SAAR, 000s)	32.2	38.2	5.2	4.4	187.5	December
% change, Jan-Dec 2007, yoy	5.8	12	81.2	13.3	-0.3	
Retail trade (SA, \$ millions)	4,762	5,145	1,130	1,195	34,762	November
% change, Jan-Nov, yoy	7.1	9.2	12.1	8.9	5.7	
Wholesale trade (SA, \$ millions)	4,525	5,602	1,327	1,147	43,946	November
% change, Jan-Nov, yoy	5.4	6.0	15.1	9.0	5.1	
Manufacturing sales (SA, \$ millions)	3,482	5,663	944	1,284	50,552	November
% change, Jan-Nov, yoy	-2.3	1.6	1.0	8.8	1.0	

Source: Statistics Canada. *yoy=year over year; SA=seasonally adjusted; SAAR=seasonally adjusted at annual rates

Employment Rate (%)



Did you know?

• Canada has the longest coastline of any country in the world, with a total length of over 240,000 kilometres.

• In January 1962, a chinook caused the temperature in Pincher Creek, Alberta to increase from -19 C to +22 C in one hour.

• Full-time workers who belonged to unions or were covered by collective agreements missed 13.6 days of work on average in 2006 for personal reasons. Non-unionized workers missed almost half that number.

• Less than one-third of Montrealers living within five kilometres of the city centre go everywhere by car, compared with two-thirds of those living in Calgary, Edmonton, and Winnipeg.

• Federal government net debt as a percentage of GDP was 34.8% in 2007, less than half of the peak of 70.9% that was recorded in 1996.

City in Profile: Abbotsford, BC

Located in the Fraser Valley of British Columbia and about 70 km from downtown Vancouver is the city of Abbotsford. Abbotsford is currently home to about 132,500 people. The city's location near Greater Vancouver has resulted in rapid population growth, which has been above the provincial average for the majority of the past decade. Between the 2001 and 2006 Census, the city's population expanded 7.2%, compared to 5.3% for BC as a whole.

Abbotsford's location in one of the most productive agricultural regions in the country has provided the city a solid economic foundation. Manufacturing, distribution, and agricultural processing are important parts of Abbotsford's economy, which has posted strong growth as of late. Recent expansion in health care services—a new hospital and cancer centre due to open in 2008—has helped spur the economy and will attract new professionals to the city. Abbotsford-based companies benefit from easy access to air, rail, and road transportation networks, as well as the city's proximity to the US border.

Canadian Business Magazine recently named the city as the best place to do business in BC, based on factors such as business-friendly climate, operating costs, cost of living, unemployment rate and building permit growth.



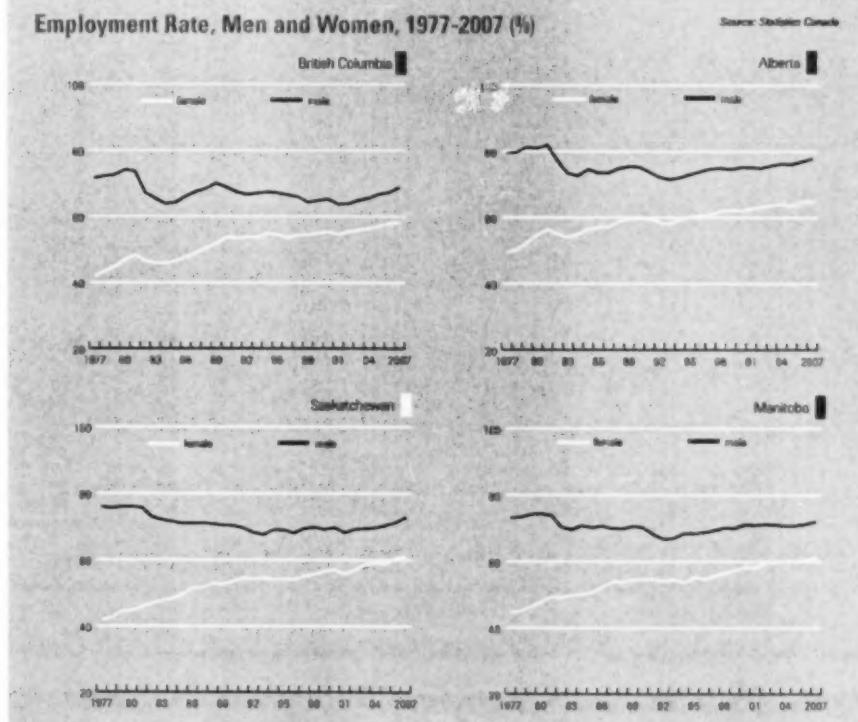
Abbotsford skyline and mountains at dusk

BEHIND THE NUMBERS

The employment rate—or employment to population ratio—is the percentage of the population 15 years of age and over who have jobs. There were 26.6 million working age Canadians and 16.9 million employed persons in 2007. Therefore, the employment rate in Canada was 63.5%. Provincial employment rates range from 51.6 in Newfoundland and Labrador to 71.5 in Alberta.

Today, the employment rate for women is much higher than it was 30 years ago. The entry of large numbers of women into the workforce caused the employment rate for women across the West to go up by about 17 percentage points since 1977. While the employment rate for men is still higher than for women, the gap has closed considerably.

Employment Rate, Men and Women, 1977-2007 (%)



February 2008

MONTHLY FEATURE

Economic Tools for REDUCING GREENHOUSE GAS EMISSIONS

Governments across Canada, and around the world, agree on the need to reduce greenhouse gas emissions. By and large, the Canadian public is on board. People generally understand that climate change is a problem that must be addressed, that greenhouse gas emissions must come down.

In early January, the National Round Table on the Environment and the Economy released a report examining the ways in which Canada could make significant cuts to greenhouse gas emissions (20% by 2020 and 60% to 70% by 2050 from current levels). One of the key recommendations of the report was the implementation of market-based economic policies—an emission tax, a cap-and-trade system, or a combination of the two.

The introduction of such policies would undoubtedly have significant effects on the Canadian economy. If these policies are under consideration, we should probably learn a little bit about them.

An emission tax—also known as a carbon tax—refers to surcharges that are placed on fossil fuels like gasoline, natural gas, oil, and coal. They are designed to discourage the use of these carbon-emitting products and to encourage conservation.

The logic behind a carbon tax is as follows. There are costs to emitting carbon dioxide. Currently, neither individuals nor industry incur those costs, so there is little incentive to reduce emissions. However, if carbon emissions cost money, then there is an incentive to lower emissions. The carbon tax provides an incentive to everyone, proportional to their energy use.

While carbon taxes could very well be a tough thing for elected officials to sell to the Canadian public, there is some evidence that they can be effective economic tools to reduce greenhouse gas emissions. As the Stern Review on the Economics of Climate Change suggested, carbon taxes can provide solid, predictable price signals on the value of carbon to consumers and industry alike. If the price signals created by a carbon tax are strong enough to change consumption patterns, but not so strong as to damage economic performance, there is the potential for environmental gains at minimal economic cost.

Carbon cap-and-trade systems combine two separate policy instruments, emissions caps and emissions trading, into one market-based policy solution to the problem of greenhouse gas emissions. Emissions caps limit the amount of human-induced carbon emissions. Caps may be based on emissions intensity (emissions/unit of economic output) or on absolute emissions levels.

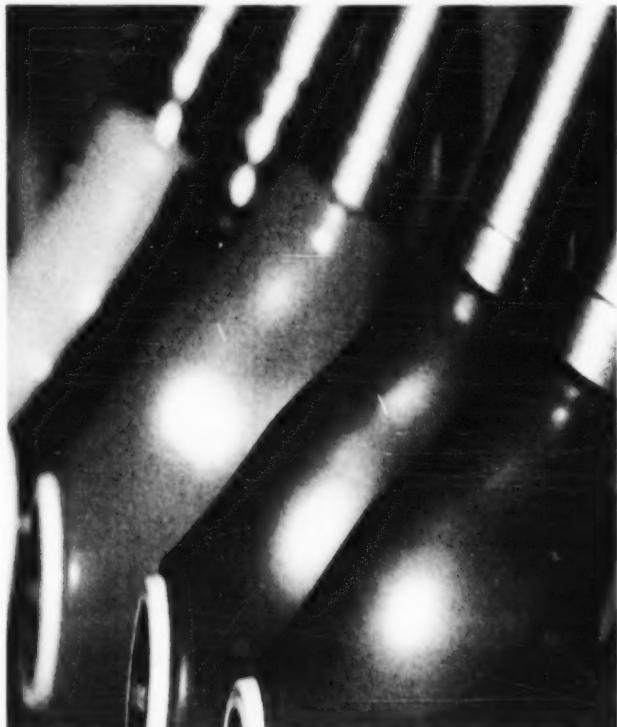
Emissions trading allows emitters to buy or sell emissions allowances or credits to other emitters. Companies, individual factories, or countries can sell allowances that are in excess of what they require, providing a source of income and rewarding increased efficiency. Simultaneously, countries or industries that cannot meet their targets through cost-effective measures can purchase credits and meet their emissions allowances. Trading emissions through the market is seen as a potential way to ensure that cross-sectoral fairness is achieved and to spread the costs of reducing emissions across multiple industries.

This information is drawn from a forthcoming Canada West Foundation report.

INTERNATIONAL EXAMPLES OF CARBON TAXES AND CARBON CAP-AND-TRADE SYSTEMS:

Many European jurisdictions have experience with implementation of carbon taxes. For example, Norway was the first to introduce a carbon tax in the 1990s. This carbon tax was applied to gasoline, diesel, mineral oil and to the offshore petroleum industry. This tax was designed to reduce energy emissions while simultaneously spurring technology development to bring Norway to the forefront of clean energy production. There is some evidence that the tax did have the desired effect of spawning new technology in carbon emissions reduction. Statoil developed carbon capture and storage technology in the Sleipner gas field. This development has aided global knowledge of carbon capture and storage technology and has reduced carbon emissions.

The carbon cap-and-trade system has been implemented, with varying degrees of success, in several jurisdictions. One of the largest systems is the European Union Emissions Trading Scheme (EU ETS). The EU ETS was put into action of January 2005. The initial aim of the scheme was to establish a cost-effective and environmentally sound means for EU industries to reduce emissions while simultaneously creating new business opportunities for investment in new, carbon-reducing projects nationally and internationally. The successes and challenges of the EU ETS can provide valuable information to policy makers in Canada if a similar cap-and-trade system is to be considered here.



Big Cities: Canada's New Shared Experience

By Casey G. Vander Ploeg, Senior Policy Analyst

In the last week of January, Parliament resumed and the nation got back to business. If last October's Speech from the Throne is any indication, there will be more than a few issues dominating Ottawa's agenda—the Afghan mission, a new crime bill, climate change, proposals to beef up Canada's sovereignty in the Arctic, and new limits on the federal spending power.

As the nation's leaders grope their way through this maze, they should not lose sight of Canada's big cities and the larger urban agenda.

Ottawa's own bean-counter—Statistics Canada—continues to point out the nation's march to a highly urbanized future. No surprise there. But less familiar is how this urbanizing trend centers around the country's big city-regions.

Between the 2001 and 2006 census, Canada's 33 largest "census metropolitan areas" (CMAs for short) grew by almost 1.4 million people. The total population of the country expanded by 1.6 million over the same timeframe. Canada's big city-regions represent almost 90% of all population growth. Canada's demographic future—and hence its economic future—is becoming ever more closely intertwined with our big cities.

The demographic muscle being flexed by Canada's city-regions is not a recent phenomenon, but a powerful long-term trend. Since 1961, Canada's 33 largest city-regions have grown at a pace five times that of all other urban and rural areas. All of this should be of more than a passing interest to the nation's leaders.

When the Canada West Foundation prepared its most recent study—*Big Cities and the Census*—researchers refined the official census data to accurately track the growth of Canada's big city-regions from 1961 to 2006. The resulting study is a first in Canada, providing definitive long-term comparisons.

WHAT DID WE UNCOVER?

No other region of the country has experienced the effects of rapid urbanization more than western Canada, where the demographic landscape has been dramatically and permanently altered. Five decades ago, the West was far less urban than the rest of the country. Not so today.

The West is home to Canada's most dynamic big cities. Between 1961 and 2006, Kelowna and Abbotsford emerge as the fastest growing cities among those with a current population of less than 250,000. Kelowna grew by 491% and Abbotsford grew by 446%.

Among cities exceeding 500,000 in population, three of the top five fastest growing are western cities. This includes Calgary (273%), Edmonton (164%) and Vancouver (156%).

Of the West's nine big city-regions, seven emerge within the top five for growth in their respective size category. What is more, this is not just about British Columbia and Alberta, even though they are the most urbanized provinces in the West with the fastest growing cities. Consider Saskatchewan. Between 1961 and 2006, Saskatchewan grew by 43,000 people. Yet, the combined population of the Regina and Saskatoon city-regions grew by over 200,000. Saskatchewan's demographic and economic future now lies in its big cities.

No other province is so singularly dominated by one city than Manitoba. Almost two-thirds of Manitobans live in Winnipeg, and the city-region itself accounts for almost 90% of Manitoba's population growth over the last 45 years.

Ontario and Quebec have traditionally served as Canada's urban heartland. Between 1961 and 2006, big city-regions represented 92% of all population growth in Ontario and 80% in Quebec.

The ability of Atlantic Canada to reverse decades of slow and even declining provincial populations now rests entirely in the region's handful of large cities. Between 2001 and 2006, the region lost about 1,000 residents. But the cities of Halifax, St. John, Moncton, St. John's and Charlottetown grew by more than 30,000 people. Like Saskatchewan, Atlantic Canada is now completely dependent on big cities for future population growth. All urban and rural areas outside of the big cities, when combined, are steadily losing people.

Traditionally, Canada's urban axis has spun around the trio of Toronto, Montreal, and Ottawa. This is no longer the case. Vancouver has emerged as one of the most dynamic cities in Canada with a rapidly growing population and an enviable international reputation of its own. No other cities even come close to matching the astounding rates of growth seen in Calgary, Edmonton, Kelowna, and Abbotsford. No one city dominates its province as Winnipeg does Manitoba. In Saskatchewan and each Atlantic province, provincial population growth is entirely centered around the big cities.

Canada has always been preoccupied with finding that one common thread or experience that can be said to unite Canadians. First it was the Canadian Pacific Railway. Then it was the CBC. Today some would say it is universal and publicly-funded healthcare. Perhaps it could be our city-regions? At the very least, Canadians and their governments need to pay more attention to the future of our large city-regions as they are critical to our future economic success and quality of life.

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